DEPARTMENT OF ENVIRONMENT

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2002

102-07097/

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 2002 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure/(recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 17, 2002

Fred Wendel, CMA, CA
Provincial Auditor

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	2002	2001
ASSETS		
Current assets:		
Accounts receivable (Note 10)	$ 209,246	$ 79,818
Inventories	432,767	235,556
Prepaid expenses	47,154	46,700
	689,167	362,074
Capital assets (Note 5)	2,622,400	2,091,893
	$ 3,311,567	$ 2,453,967
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable (Note 10)	$ 95,943	$ 276,056
Non-current liabilities:		
Accumulated net expenditure (Statement 3 and Note 10)	3,118,547	2,052,045
Fund equity:		
Accumulated operating surplus/(deficit) (Statement 2)	97,077	125,866
	$ 3,311,567	$ 2,453,967

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)
For the Year Ended March 31

	2002		2001
	Budget (Note 9)	Actual	Actual
Revenues:			
Radio communications	$ 1,435,000	$ 1,663,764	$ 1,643,422
Equipment rental and recoveries	216,155	200,637	216,385
Staff housing	159,760	164,810	137,333
Northern air operations	100,000	60,360	75,331
Spruce budworm program	—	—	2,632
Other	—	—	223
	1,910,915	2,089,571	2,075,326
Expenses:			
Salaries and benefits	947,000	975,436	888,201
Contractual services	301,124	510,641	440,404
Amortization	301,855	330,941	329,501
Materials & supplies	229,000	232,768	439,498
Travel & sustenance	62,700	61,212	36,345
Other	69,236	7,362	63
	1,910,915	2,118,360	2,134,012
Net (loss) (Notes 6 and 11)	$ —	(28,789)	(58,686)
Accumulated operating surplus/(deficit), beginning of year		125,866	184,552
Accumulated operating surplus/(deficit), end of year - to Statement 1		$ 97,077	$ 125,866

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE/(RECOVERY)
For the Year Ended March 31

	2002	2001
Financing (provided by)/required for operating activities:		
Net loss	$ 28,789	$ 58,686
Items not affecting working capital		
-amortization	(330,941)	(329,501)
-(loss) on disposal of capital assets	(10,705)	(19,819)
Net increase/(decrease) in working capital items related to operations (Note 7)	507,206	(77,323)
Net financing provided by operating activities	194,349	(367,957)
Financing (provided by)/required for investing activities:		
Purchase of capital assets	888,348	452,795
Proceeds from sale of capital assets	(16,195)	(4,729)
Net financing required for investing activities	872,153	448,066
Net increase in financing requirement	1,066,502	80,109
Accumulated net expenditure, beginning of year	2,052,045	1,971,936
Accumulated net expenditure, end of year - to Statement 1	$ 3,118,547	$ 2,052,045

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services. The Department of Environment and Resource Management (now called the Department of Environment) administers the Revolving Fund.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant:

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure/(Recovery)

The accumulated net expenditure/(recovery) of the Fund includes the following:

i) net expenditure/(recovery) for each fiscal year; and

ii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Inventories consist of airplane parts and radio components.

d) Revenue recognition

Amounts received under contractual agreements are recognized as revenue in the year in which the related expenses are incurred. Amounts received before expenses are incurred are shown as unearned revenue.

e) Capital Assets

Individual capital assets costing more than $500 are capitalized. Amortization commences in the year of acquisition for Radio Communications and Northern Air Operations and amortization for Equipment Rental commences in the year following acquisition. Amortization is calculated on the straight-line basis over the useful life of the asset. Annual amortization rates are from 5% to 33% for equipment and 8% for radio communication equipment.

3. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum accumulated net expenditure, which may be outstanding at any time, will be set by order of the Lieutenant Governor in Council. A maximum amount of $5,500,000 was established by Order in Council 515/94.

4. Accumulated Operating Surplus/(Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/(deficit). If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/(deficit) for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus/(deficit) is $200,000.

5. Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment rental	$ 4,565,290	$ 2,580,849	$ 1,984,441	$ 1,387,011
Radio communications	2,749,871	2,160,664	589,207	650,348
Northern air operations	63,080	14,328	48,752	54,534
	$ 7,378,241	$ 4,755,841	$ 2,622,400	$ 2,091,893

6. Segmented Information

	2002			2001
	Revenues	Expenses	Net Income/ (loss)	Net Income/ (loss)
Radio communications	$ 1,663,764	$ 1,589,607	$ 74,157	$ 46,957
Equipment rental	200,637	197,784	2,853	9,699
Staff housing	164,810	278,259	(113,449)	(114,533)
Northern air operations	60,360	52,710	7,650	(809)
	$ 2,089,571	$ 2,118,360	$ (28,789)	$ (58,686)

7. Net Change in Working Capital Items Related to Operations

	2002	2001
Increase in accounts receivable	$ 129,428	$ 30,120
Increase/(decrease) in inventories	197,211	(29,806)
Increase in prepaid expenses	454	1,758
Decrease/(increase) in accounts payable	180,113	(82,250)
Decrease in unearned revenue	---	2,855
	$ 507,206	$ (77,323)

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred. These transactions, and amounts outstanding at year end, are as follows:

Category	2002	2001
Revenues:		
Radio communications	$ 1,663,232	$ 1,657,445
Equipment rental and recoveries	211,249	212,515
Northern air operations	—	21,888
Expenses:		
Contractual services	135,451	120,623
Materials & supplies	3,078	32,830
Travel & sustenance	35,902	24,240
Accounts receivable	188,003	60,344
Accounts payable	7,189	30,737

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

10. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates their carrying value.

The fair value of the accumulated net expenditure has not been provided because it is not practicable to determine the fair value with sufficient reliability.

The Revolving Fund is exposed to minimal credit risk from the potential of non-payment of accounts receivable. Most receivables were received subsequent to year end.

11. Amount Reported in Public Accounts

The net (expenditure)/recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2002	2001
Net (loss)	$ (28,789)	$ (58,686)
(Increase)/decrease in inventory	(197,211)	29,806
(Increase) in net book value of capital assets	(530,507)	(98,746)
Amounts not included in Public Accounts due to timing	(43,327)	(568)
Net (expenditure)/recovery reported in Public Accounts	$ (799,834)	$ (128,194)

12. Comparative Figures

Certain comparative figures have been restated to conform to the current year's financial statement presentation.